

Realty Trust Review

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INVESTMENT OUTLOOK AND STATISTICAL ISSUE

Investment outlook: Coping with the deceptive part of the REIT recovery.....	1
Graph of Audit Investment Index.....	2
Computerized Comparative Trust Group averages.....	3
Dividend trends: Henry S. Miller Realty resumes as March declarations firm...	3
Comparative Trust Statistics for 132 realty trust shares.....	4&5
Statistics for 25 warrants and 44 convertibles.....	6
Statistics for 35 straight bond issues of trusts.....	3
How to use Comparative Trust Statistics.....	6
Chase Manhattan Trust's controversial tender offer: Take the money.....	7
Nonearning investment percentage steady as assets shrink.....	8

INVESTMENT OUTLOOK: COPING WITH THE DECEPTIVE PART OF THE REIT RECOVERY AHEAD

The toughest part of the REIT recovery lies ahead. It is also potentially the most deceptive phase for investors, because subtle nuances of management skill and organization will count for more on the bottom line than they have until now.

The easy part is now largely behind, a time in which income properties were built out and either rented or sold to provide some earning power. Once projects of this type are conceived and under construction, their execution and management can largely be handled by the "numbers men" found so frequently in both bank and REIT staffs. Such projects may not be super winners under such management but chances are they won't be bleeding ulcers, either. Of course trusts will vary widely in their success with income properties, depending upon whether they've stressed standard income properties -- apartments, shopping centers, office buildings, etc. -- or less-standard types like motels, hospitals, racetracks, childcare centers, etc.

Signs of recovery in completed properties abound. Last week New York Telephone joined with Teachers Insurance & Annuity Assn. and College Retirement Equities Fund to buy the 1.4 million sf office tower at 1166 Avenue of the Americas in Manhattan, a disaster that had stood vacant over three years. No REITs are involved directly but this is one of Audit Investment's "leading indicator" problem properties. Another leading indicator problem, 1.2 million sf Blue Hill complex outside New York City,

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REAL ESTATE DISCLOSURE DIGEST's March 18 issue provides shopping center buying insights from Corporate PROPERTY Investors' Jerry O'Connor; Homewood Corp. and Shapell Indus. current operations and plans.

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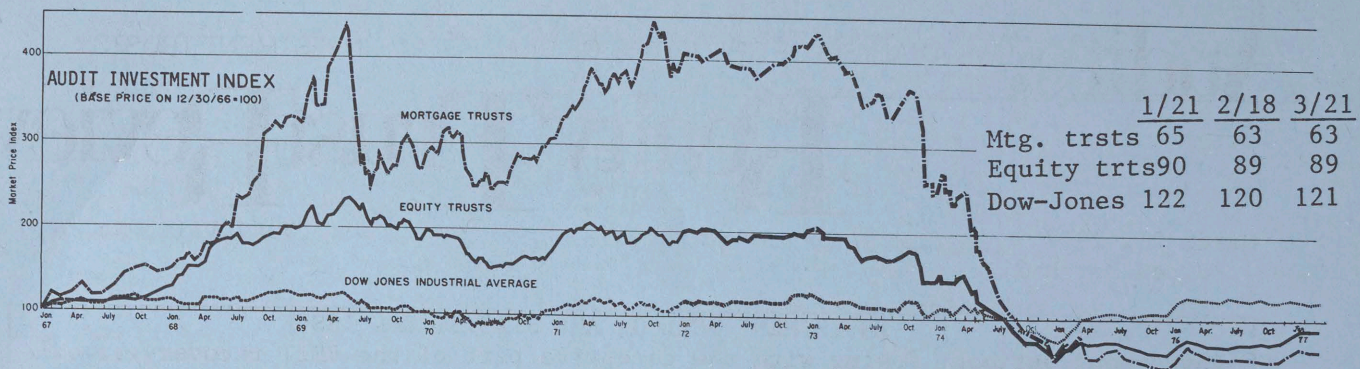
DISCLOSURE REPORTS ON PROBLEM PROPERTIES' March 18 issue covers problem properties of Atico Mortgage Investors, Barnes Mortgage Trust, Builders Investment Group, Realty & Mtg. Inv. of the Pacific, and Mission Inv. Trust.

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leased 81,000 sf to a local utility last week, bringing occupancy to 15%. Colwell Mtg. and Sutro Mtg. both have \$4 million participations in the \$30 million foreclosure.

Neither project is out of the woods but activity like this is swinging the recovery focus to land, where the tough job lies ahead. The large and troubled construction mortgage trusts hold about \$2.2 billion land, the vast majority of which has now been foreclosed. Smaller trusts probably add another \$300 million, so the industry controls or holds mortgages on about \$2½ billion of land. No one knows the exact composition of that land, although we believe about one-third is developed urban land for primary use, one-third is undeveloped urban land, and one-third is developed or undeveloped non-urban land for secondary use, mainly resort and recreational communities.

Moving this land will take determined marketing efforts or, alternatively, development of the land in-house or in joint ventures. Construction financing of about \$10 billion will have to be found. Some trusts are poorly staffed and organized for such a task. Many haven't kept current on local zoning and use regulation changes affecting their properties. Right now large land holdings are a drag for most trusts because the land is unproductive and the market thin to non-existent most places. But the pendulum is swinging quickly in favor of trusts with agility and ability to take advantage of changed markets. In coming issues we'll be looking closely at many troubled trusts to see if they can handle this changed situation.

Much is going to depend upon whether troubled REITs can make long-term peace with their banks so they can spend less time negotiating with banks and more time dealing with property problems. And it's here that some very hard decisions must be made by banks in coming months.

Some REIT managers, hard-pressed to meet repayment schedules for bank debt, are saying that banks will have to provide long-term, patient, equity capital to help restore earning viability. "The first thing is to get earning power, then repay debt," says one manager. "We aren't going to liquidate these trusts just to repay the banks." Other REIT managers say banks are going to have to give a lot more than they've given until now. "The decisions to reduce interest were relatively easy," says one. "Now the banks will have to face the prospect of converting some debt into long-term capital--and that may be the toughest decisions they have to make." Seen in this context, banks and REITs apparently are in for some hard bargaining in months ahead, with no debt extension taken for granted. Examples:

--Citizens & Southern Realty shares were halted by the NYSE when some banks refused to extend a waiver on a clause requiring the trust to maintain positive net worth. Shares last traded on the NYSE at 1¼, are now quoted 3/8 bid OTC. The trust adjourned its annual meeting to April 8; shareholders are being asked to authorize issuing enough shares--100 million shares at recent prices--to permit exercise of 300,000 variable price warrants next October.

--Guardian Mortgage trading was halted in a snag over debt reduction. GMI's 7½s of 1979 slumped from 42 to 26 as margin holders dumped--a buying opportunity.

--IDS Realty refused to deliver collateral to banks March 17 and is now in default. It's talking, trying to get banks to take early payout at a discount.

DIVIDEND TRENDS: MILLER RESUMES AS MARCH DECLARATIONS ARE FIRM

March declarations exhibited broad stability. Two payouts were up from the previous quarter. Henry Miller Realty resumed payment after a 15 month lapse as it believes earnings have recovered to sustainable levels and MassMutual Mortgage raised 2¢. Its earnings rose from the improved return on the foreclosed portfolio. Even the lone reduction by Realty & Mortgage Pacific did not reflect an operating decline but rather the prior quarter's inflation by loan prepayment. The cadre of current payers, however, remains heavily equity oriented- 8 of the 17 while 6 are long-term trusts. Only 3 are short-term construction lenders.

	Up	Same	Down	Total	%Change
March	2	14	1	17	+4%
Year	6	30	3	39	--

-----From previous year-----

March	7	9	1	17	+7%
Year	17	18	4	39	--

Trust	Record date	Latest	Previous	Amt.	Percent	Year Ago	% Change
Consolidated Cap.Rlty.	3/17	\$0.1684M	\$0.1684	\$ --	NC	\$0.1667	+1
Continental Ill. Prop.	4/4	0.32	0.32	--	NC	0.32	NC
Denver REIA	3/15	0.15	0.15	--	NC	0.15	NC
First Cont'l REIT	3/31	0.22	0.22	--	NC	0.16	+38
First Union RE	4/15	0.25	0.25	--	NC	0.24	+4
Florida Gulf Rlty.	3/7	0.32	0.32	--	NC	0.32	NC
Fraser Mtg.	4/1	0.25	0.25	--	NC	0.25	NC
GREIT Realty	4/15	0.10	0.10	--	NC	0.10	NC
General Growth Prop.	4/1	0.35	0.35	--	NC	0.33	+6
Hospital Mtg.	4/15	0.15	0.15	--	NC	0.15	NC
Hubbard REI	3/23	0.30	0.30	--	NC	0.30	NC
M&T Mortgage	3/25	0.26	0.26	--	NC	0.26	NC
MassMutual Mtg. & Rlty.	3/21	0.29	0.27	+0.02	+7	0.28	+4
Miller (Henry) Rlty.	2/28	0.15	0.00	+0.15	--	0.00	--
MONTY Mortgage	3/31	0.23	0.23	--	NC	0.20	+15
Mortgage Growth	4/1	0.12	0.12	--	NC	0.12	NC
New Plan Realty	3/15	0.075M	0.075	--	NC	0.07	+7
Rlty. & Mtg./Pacific	3/31	0.28	0.29	-0.01	-3	0.36	-22
United Realty	3/31	0.18	0.18	--	NC	0.13	+38
						+0.27	Extra
TOTALS (17 Trusts)b		\$3.92	\$3.76	\$+0.16	+4	\$3.67	+7

b-Excludes monthly and special dividends. NC-No change. M-Monthly. Trusts with dividends reduced from previous quarter underlined.

COMPARATIVE TRUST GROUP AVERAGES 03/23/77

GROUP		SHARE N (000)	BOOK VALUE	ANN DIV*	EARN ANN*	LAST * PRICE	CHNG MCN	FROM-- AGO	JAN 1	P/F RATIO	ANN* YIELD	% PR TC PK	RETLN CN FK	MARKET VALUE
EQUITY TRUSTS	20	2050	11.7P	0.80	0.94	10.98	0.4	4.2	11.7	7.3	-6.7	8.0	557.7	
EQUITY AND MORTGAGE COMBIN	22	165P	9.40	0.33	0.52	5.94	2.8	10.1	11.4	5.6	-36.8	5.6	201.0	
SUBORDINATED LAND TRUSTS	3	26P9	11.73	0.40	0.58	6.54	-3.7	-11.3	11.2	6.1	-44.2	5.0	48.3	
AVERAGE 3 EQUITY GROUPS	45	1901	10.61	0.55	0.71	8.22	1.0	5.2	11.6	6.6	-22.5	6.7	806.9	
SHORT-TERM MTG-INDEPENDENT	17	3764	0.36	0.00	0.46	1.18	1.7	5.5	2.6	0.0	225.9	126.8	45.3	
SHORT-TERM MTG-MTG BANKER	17	2075	7.89	0.28	0.32	4.66	-0.2	1.1	14.3	6.0	-41.0	4.1	174.5	
SHORT-TERM MTG-COMCL BANK	17	2314	3.01	0.03	0.59	2.61	6.8	7.0	4.4	1.1	-13.2	19.6	111.1	
SHORT-TERM-MISC FINCI	8	2381	5.10	0.02	0.65	2.71	3.2	-3.9	4.1	0.7	-46.9	12.8	42.5	
AVERAGE 4 SHORT-TERM GROUPS	59	2672	3.94	0.09	0.48	2.80	2.2	2.4	5.8	3.2	-28.9	12.3	373.5	
INTERMEDIATE-TERM MORTGAGES	6	3345	5.75	0.37	2.87	4.40	7.1	2.1	1.5	8.5	-23.5	49.9	50.2	
LONG-TERM MTG & EQUITIES	22	2926	11.84	0.49	0.49	7.24	1.9	1.2	14.7	6.8	-38.9	4.1	611.1	
AVERAGE LONG & INTERMEDIATE	28	3016	10.53	0.47	1.00	6.63	2.6	1.3	6.6	7.0	-37.1	9.5	661.3	
OVERALL AVERAGE	132	2482	7.61	0.33	0.67	5.46	1.7	3.6	8.1	6.0	-28.2	8.8	1841.7	
DOW-JONES INDUSTRIAL AVERAGE					95.81	953.54	+1.6	-5.1	10.0	4.4	Latest quarter annualized			

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Alison Mtg.-b	OC	8.75%	'79	\$ 7.0	\$43.00	+ 8%	20%
Atico Mtg.-c#	NY	6.75	'82	16.9	61.75	+ 6	11
BT Mtg. Inv.-c	OC	5.75	'82	20.0	51.00	+ 19	11
Barnett Mtg.-c#	OC	6.75	'91	17.3	20.00	+ 5	34
Barnett Mtg.-cd	OC	8.50	'98	30.0	30.00	+ 3	28
Barnett-Win.-ce	OC	8.25	'98	30.0	36.00	+ 13	23
Cabot C&F Land-c	NY	8.50	'81	23.0	63.00	+ 2	13
Chase Man. Tr.-a	NY	7.88	'78	50.0	81.75	- 7	10
Chase Man. Tr.-c	NY	7.50	'83	60.0	58.50	- 15	13
Cit.&So. Rlty.-c#	OC	6.75	'78	30.0	20.00	- 26	34
Cit. Mtg. Inv.-b	OC	8.50	'80	20.0	23.50	- 2	36
Colwell Mtg.-b	NYx	8.20	'80	25.0	28.00	- 12	29
Cont. Ill.Rl.-b	NY	7.63	'79	25.0	80.00	+ 10	10
Cousins M&E-c	NY	6.50	'82	30.0	42.00	- 2	15
First Mtg.-a	OC	6.75	'82	12.6	30.00	+ 20	23
First Mtg.-a	OC	8.25	'77	23.5	50.00	- 4	17
First Virg.-b	OC	8-12f	'80	20.0	38.00	0	21
Great Amer.Mtg.-b	OC	7.55	'79	25.0	10.00	- 15	76
Great Amer.Mtg.-c	OC	8.75	'83	25.0	10.00	+ 11	88
Guardian Mtg.-b	NYx	7.50	'79	25.0	29.00	- 35	26
Guardian Mtg.-c#	ASx	6.75	'86	8.6	24.00	- 37	28
Gulf Mtg.&Rl.-c#	AS	7.70	'80	20.0	74.75	+ 2	10
IDS Realty-h	OC	--	--	179.8	15-25	0	NC

STRAIGHT BONDS

Issuer & Desc.	Ex.	Int.	Mat.	Mil.\$	Price	Change	Yield
Insti. Inv.-b	NY	7.88	'80	\$20.0	\$70.00	+ 2%	11%
Justice Mtg.-b	OC	7.75	'79	12.6	32.00	- 3	24
LMI Investors-c	NYx	6.75	'82	10.0	38.00	+ 3	18
Midland Mtg.-b	NY	8.00	'80	18.5	59.88	+ 9	13
Mtg.Inv.Wash.-b	OC	8.50g	'80	15.0	59.00	+ 7	14
NJB Prime Inv.-c#	OC	7.00	'80	12.9	30.00	0	23
Nationwide RE-c	OC	7.00	'91	6.5	65.00	0	11
No.Amer. Mtg.-c	NY	5.50	'79	27.8	84.50	+ 2	7
Saul (B.F.)-c	NY	8.50	'80	25.0	86.50	+ 1	10
State Mut.Inv.-b	NYx	9.00	'80	25.0	62.00	+ 3	15
Security Mtg.-#	AS	7.25	'82	50.0	75.25	- 3	10
Security Mtg.-c#	OC	6.00	'82	17.1	50.00	0	12
Tri-South Mtg.-b	NY	7.75	'80	25.0	52.50	+ 14	15

Description: a-Senior; b-Senior subordinate; c-Subordinate or junior subordinate. d-Convertible at \$39 till 9/1/78 when price may be adjusted. e-Convertible at \$31 till 12/1/78 when price will be adjusted. f-Variable at 1½% over monthly prime. g-Variable rate at 1½% over prime in Oct. and April. h-Five series, A-E: 6-7/8, 7-1/8, 7-3/8, two variable; 1987-94. x-Suspended by exchange. #May be used at par to exercise warrants.

	EXCH/	SHARE	BOOK	ANN	EARNINGS	LAST	% CHNG	FROM--	P/E	ANN*	% PR	RET	MKT VA
	SYMBOL	(000)	VALUE	DIV*	MCN	ANN*	MCN	ACC	RATIO	YIELD	TO BK	ON BK	(MIL\$)
EQUITY TRUSTS													
API TRUST #	C-APITS	1012	11.89	0.40	DEC	0.32	4.25	0.0	13.3	13.3	9.4	-64.3	2.7
C I REALTY #	N-CIX	2609	16.59	0.00	NOV	0.36	5.63	0.0	21.6	15.6	0.0	-66.1	2.2
CITIZENS GR#	O-CITCS	811	8.01	0.00	OCT	0.00	1.25	25.0	0.0	0.0	0.0	-84.4	0.0
CON ILL PRO#	N-CIE	4808	21.09	1.28	←OCT	1.00	16.38	-3.0	-0.7	16.4	7.8	-22.3	4.7
CONSO CAP R#	O-CCPLS	1989	21.24	2.02	←AUG	2.32	24.00x	2.8	-2.0	10.3	8.4	13.0	10.9
DENVER REI #	O-DENVS	1091	8.78	0.60	←SEP	0.80	7.50x	2.0	11.1	9.4	8.0	-14.6	9.1
FEDERAL RLTY	A-FRT	1353	9.66	1.24	DEC	1.16	14.63x	2.1	11.4	12.6	8.5	51.4	12.0
FIRST UNION#	N-FUR	4011	8.48	1.00	←JAN	1.16	12.00	0.0	-1.1	10.3	8.3	41.5	13.7
FLORIDA GLF#	O-FGLFS	975	15.67	1.28	←JAN	1.28	13.25x	-1.3	17.8	10.4	9.7	-15.4	8.2
FST FIDELTY#	O-FFITS	866	10.65	0.14	NOV	0.24	3.25	-18.8	8.3	13.5	4.3	-69.5	2.3
GENERAL GRO#	N-GGP	6202	6.14	1.40	←DEC	1.44	22.88	0.6	2.8	15.9	6.1	272.6	23.5
GOULD INVST#	A-GTR	1179	6.50	0.10	DEC	0.91	5.00x	9.5	47.9	5.5	2.0	-23.1	14.0
GREIT RLTY #	A-GRT	998	10.98	0.40	←JAN	1.00	6.13	-1.9	-1.9	6.1	6.5	-44.2	9.1
HUBBARD RFT	N-HRE	4004	21.98	1.20	←JAN	1.40	15.75x	-2.7	0.0	11.3	7.6	-28.3	6.4
NEW PLAN RI #	O-NPLNS	1399	2.56	0.90	←OCT	0.72	9.75x	3.4	8.3	13.5	9.2	280.9	28.1
PENN REIT #	A-PEI	1516	12.03	1.15	NOV	1.56	14.00	6.6	0.0	9.0	8.2	16.4	13.0
REIT OF AMER	A-REI	1633	21.03	1.20	FEB	0.97	14.75	-1.7	-7.8	15.2	8.1	-29.9	4.6
SUMMIT PRCP#	O-SMMTS	1554	7.07	0.00	JAN	0.27	2.50	-9.1	25.0	9.3	0.0	-64.6	3.8
WASH REIT #	A-WRE	1473	10.62	1.76	SEP	1.84	24.38x	-2.2	2.7	13.3	7.2	129.6	17.3
WISC REI FD#	O-WRETS	1514	4.58	0.00	SEP	0.02	2.38	46.0	58.7	119.0	0.0	-48.0	0.4
GROUP AVERAGE		2050	11.78	0.80		0.94	10.98	0.4	4.2	11.7	7.3	-6.7	8.0

EQUITY AND MORTGAGE COMBINATION TRUSTS													
AMER REALTY	A-ARB	2222	2.80	0.00	DEC	0.09	0.63	43.2	0.0	7.0	0.0	-77.5	3.2
BANKAM RLTY	O-BRLTS	3547	14.82	0.52	JAN	1.18	10.63	-4.5	6.3	9.0	4.9	-28.3	8.0
BRT RLTY TR	A-BRT	1400	5.58	0.00	NOV	0.00	0.94	6.8	6.8	0.0	0.0	-83.2	0.0
FLATLEY RLTY	O-FLTIS	1000	6.54	0.00	SEP	0.16	3.00	20.0	0.0	18.8	0.0	-54.1	2.4
FRANKLIN RLY	A-FR	999	7.48	0.00	DEC	0.00	3.88	6.9	19.4	0.0	0.0	-48.1	0.0
HOTEL INVSTR	A-HOT	1545	17.62	1.28	NOV	1.28	12.88	-0.9	2.0	10.1	9.9	-26.9	7.3
INDIANA M&R#	O-INDMS	1154	8.96	0.00	DEC	0.00	2.88	9.5	15.2	0.0	0.0	-67.9	0.0
INVESTOR FL#	A-IRT	1579	10.52	0.00	NOV	0.18	6.50	8.3	44.4	36.1	0.0	-38.2	1.7
JMB REALTY#	O-JMBRS	510	18.20	1.60	AUG	1.96	14.50	0.0	7.4	7.4	11.0	-20.3	10.8
LINCOLN MTG*	O-LNMGS	1155	1.71	0.00	DEC	0.00	0.44	0.0	0.0	0.0	0.0	-74.3	0.0
MILLER HEN S	O-HSMTS	560	16.95	0.60	↑NOV	0.66	9.00x	10.9	20.0	13.6	6.7	-46.9	3.9
NJB PRIME	O-NJB	1280	-4.80	0.00	NOV	0.00	0.38	22.6	40.7	0.0	0.0	NEG.	0.0
PLAZA REALTY	O-PNE	1114	3.51	0.00	SEP	0.00	0.88	0.0	-12.0	0.0	0.0	-74.9	0.0
PROP TRUST#	O-PTRAS	2506	7.72	0.20	SEP	0.50	4.50	5.9	12.5	9.0	4.4	-41.7	6.5
RIVIERE RLY#	O-RIVI6	783	8.13	1.00	SEP	1.04	8.88	0.0	4.5	8.5	11.3	9.2	12.8
RLTY INCOME	A-RIT	1565	12.70	1.40	OCT	2.27	10.50	6.3	0.0	4.6	13.3	-17.3	17.9
SAN FRAN RF#	A-SFI	1348	19.95	0.60	DEC	1.28	12.38	-7.5	12.5	9.7	4.8	-37.9	6.4
SAUL (RF)REI	N-BFS	5658	6.95	0.00	DEC	0.00	3.75	-6.3	-9.2	0.0	0.0	-46.0	0.0
US BANKCORP #	A-UBT	840	16.47	0.00	NOV	0.00	8.81	6.8	10.1	0.0	0.0	-46.5	0.0
US REALTY #	N-UTY	3434	4.20	0.00	SEP	0.00	3.50	16.7	33.1	0.0	0.0	-16.7	0.0
VIRGINIA RF#	O-VARES	1251	10.02	0.10	SEP	0.88	7.50	0.0	15.4	8.5	1.3	-25.1	8.8
WALTER RLTY#	O-WALJS	1035	10.72	0.00	JAN	0.00	4.25	21.4	30.8	0.0	0.0	-60.4	0.0
GROUP AVERAGE		1658	9.40	0.33		0.52	5.94	2.8	10.1	11.4	5.6	-36.8	5.6

SUBORDINATED LAND TRUSTS													
CABOT LAND	N-CFT	2992	7.68	0.00	NOV	0.00	3.25	8.3	-10.5	0.0	0.0	-57.7	0.0
ICM REALTY	A-ICM	3011	13.85	0.00	FEB	0.55	5.00	-11.2	-23.1	9.1	0.0	-63.9	4.0
PROPERTY CAP	A-PCL	2065	13.67	1.20	JAN	1.20	11.38	-3.1	-5.2	9.5	10.5	-16.8	8.8
GROUP AVERAGE		2689	11.73	0.40		0.58	6.54	-3.7	-11.3	11.2	6.1	-44.2	5.0

SHORT-TERM MTG-MTG BANKER													
ATICO MTG IN	N-ACO	2706	6.92	0.00	JAN	0.00	2.13	0.0	-14.8	0.0	0.0	-69.2	0.0
BAIRD & WARN	O-BAIDS	1043	16.70	0.96	JAN	0.12	7.50	-3.2	11.1	62.5	12.8	-55.1	0.7
BARNES MTG	O-BARNS	1910	12.89	0.00	DEC	0.00	2.50	0.0	17.4	0.0	0.0	-80.6	0.0
CENTRAL MTG	O-CMRTS	775	12.85	0.00	DEC	0.00	3.50	-12.5	16.7	0.0	0.0	-72.8	0.0
CCLWELL MTG	O-CLM	2030	1.55	0.00	SEP	0.00	0.63	-16.0	-66.5	0.0	0.0	-59.4	0.0
FIRST CONTAL	O-FCRES	2106	10.28	0.88	←NOV	0.88	8.38	-2.9	1.6	9.5	10.5	-18.5	8.6
FRASER MTG T	O-FRASS	1038	16.40	1.00	←FEB	0.96	10.00	2.6	8.1	10.4	10.0	-39.0	5.9
GUARDIAN MT	N-GMI	3000	-10.37	0.00	NOV	1.48	1.25	-9.4	-9.4	0.8	0.0	NEG.	-14.3
HEITMAN MTG	A-HTM	3292	3.76	0.00	SEP	0.16	1.75	12.2	0.0	10.9	0.0	-53.5	4.3
JUSTICE MTG	N-JMI	1184	-3.41	0.00	DEC	0.00	1.88	0.0	-21.0	0.0	0.0	NEG.	0.0
KMC MTG IN	O-KMTGS	1100	2.22	0.00	NOV	0.00	1.50	-20.2	32.7	0.0	0.0	-32.4	0.0
LOWAS & NTLN	N-LOM	3700	31.62	0.84	DEC	0.84	15.88	-0.8	5.9	18.9	5.3	-49.8	2.7
M&T MTG INV	O-MTMS	1482	10.25	1.04	←FEB	1.04	9.63x	0.1	5.5	9.3	10.8	-6.0	10.1
MIDLAND MTG	N-MMT	2382	1.43	0.00	DEC	0.00	1.56	13.0	4.0	0.0	0.0	9.1	0.0
NO AMER MTG	N-NAM	4403	12.58	0.00	SEP	0.00	4.13	18.0	-15.4	0.0	0.0	-67.2	0.0
SUTRO MTG IN	N-SUT	2322	14.96	0.00	DEC	0.04	6.75	3.8	-5.3	168.8	0.0	-54.9	0.3
TMC MTG INV	O-TMG	800	-6.42	0.00	SEP	0.00	0.19	46.2	-24.0	0.0	0.0	NEG.	0.0
GROUP AVERAGE		2075	7.89	0.28		0.32	4.66	-0.2	1.1	14.3	6.0	-41.0	4.1

#NET CASH FLOW, SEE PAGE 6. *GROSS CASH FLOW. NEG.- NEGATIVE BOOK VALUE. VJ-IN BANKRUPTCY REORGANIZATION. ARROWS DENOTE NEW EARNINGS OR DIVIDEND REPORTS AND DIRECTION. ZEROES INDICATE LOSS OR NO EARNINGS FOR QUARTER SHOWN. EXTRAORDINARY GAINS NOT ANNUALIZED.

	EXCH/ SYMBOL	SHARE (000)	BOOK VALUE	ANN DIV*	EARNINGS PCN	ANN*	LAST PRICE	-% CHNG PCN AGC	FROM-- JAN 1	P/E RATIO	ANN* YIELD	% PR TO BK	RFT CN PK	MKT VA (MILS)
SHORT-TERM MTG-INCEPNDENT														
BUILDERS INV	O-BULDS	2929	1.20	0.00	DEC	6.10 ↑	0.50	0.0	31.6	0.1	0.0	-58.3	508.3	1.5
CAPITAL MT	N-CMU	1675	1.00	0.00	DEC	0.00	1.25	0.0	0.0	0.0	0.0	25.0	0.0	2.1
VJCONTNTL MTG	O-CMI	20838	-4.34	0.00	JUN	0.00	0.07	-12.5	133.3	0.0	0.0	NEG.	0.0	1.5
DOMINION M&R	O-DMRTS	639	-7.40	0.00	NOV	0.00	0.63	26.0	384.6	0.0	0.0	NEG.	0.0	0.4
VJFIDELITY MT	O-FID	3046	-18.70	0.00	CCT	0.00	0.31	10.7	72.2	0.0	0.0	NEG.	0.0	0.9
FIRST MTG IN	O-FMTGS	8495	-6.81	0.00	CCT	0.35	0.44	41.9	76.0	1.3	0.0	NEG.	-5.1	3.7
GRT AMER MT	O-GAA	4456	-11.34	0.00	CCT	0.44	0.38	0.0	22.6	0.9	0.0	NEG.	-3.9	1.7
HAMILTON INV	O-HAMTS	2095	6.25	0.00	DEC	0.00	1.38	0.0	-8.0	0.0	0.0	-77.9	0.0	2.9
INSTITUTAI	N-INV	6074	6.58	0.00	OCT	0.00	1.38	-8.0	-26.6	0.0	0.0	-79.0	0.0	8.4
MISSION INV	A-MIT	1812	5.11	0.00	NOV	0.00	1.63	-6.9	0.0	0.0	0.0	-68.1	0.0	3.0
MTG INV WASH	O-MINVS	2146	6.90	0.00	DEC	0.00	2.50	-4.9	0.0	0.0	0.0	-63.8	0.0	5.4
NATIONAL MTG	O-NMF	2353	-0.01	0.00	NOV	0.00	0.38	322.2	100.0	0.0	0.0	NEG.	0.0	0.9
REPUBLIC MT	N-RMI	2107	5.77	0.00	SEP	0.00	1.75	16.7	-12.5	0.0	0.0	-69.7	0.0	3.7
TEXAS 1ST MT	O-TFMR	1055	7.93	0.00	DEC	0.88	2.38	-20.7	-4.8	2.7	0.0	-70.0	11.1	2.5
TIERCO	O-GSR	1161	3.81	0.00	DEC	0.00	1.25	25.0	290.6	0.0	0.0	-67.2	0.0	1.5
UMET TRUST	N-UAT	2109	3.42	0.00	NOV	0.00	1.50	-14.3	-33.3	0.0	0.0	-56.1	0.0	3.2
WESTERN MI	O-WMTGS	1002	6.76	0.00	NOV	0.00	2.25	28.6	38.0	0.0	0.0	-66.7	0.0	2.3
GROUP AVERAGE		3764	0.36	0.00		0.46	1.18	1.7	5.5	2.6	0.0	225.9	126.8	45.3

SHORT-TERM MTG-CONCL BANK

AMER FLETCHER	A-AFM	1352	3.49	0.00	CCT	0.00	1.63	8.7	-13.3	0.0	0.0	-53.3	0.0	2.2
BARNETT MTG	O-BMT	2174	-7.31	0.00	DEC	0.00	0.44	15.8	-12.0	0.0	0.0	NEG.	0.0	1.0
CAMERON-BRWAN	N-CB	2016	9.94	0.00	SEP	0.00	1.63	-6.9	-6.9	0.0	0.0	-83.6	0.0	3.3
CHASE MAN MT	N-CMR	4886	-11.65	0.00	NOV	0.82	2.63	0.0	-16.0	3.2	0.0	NEG.	-7.0	12.9
CITINATL DEV	O-CITIE	600	13.23	0.00	SEP	0.00	4.00	10.2	38.9	0.0	0.0	-69.8	0.0	2.4
CITIZENS MT	O-CZM	1421	-11.32	0.00	SEP	0.00	0.38	0.0	11.8	0.0	0.0	NEG.	0.0	0.5
CITIZENS RL	N-CZS	3829	-7.19	0.00	DEC	1.57 ↑	0.38	-72.5	-79.8	0.2	0.0	NEG.	-21.8	1.5
CONT ILL RLY	N-CIR	2797	0.19	0.00	DEC	0.00	2.63	61.3	16.9	0.0	0.0	1284.2	0.0	7.4
FST COMMERCE	O-FCRAS	1008	13.28	0.00	SEP	0.00	4.75	5.6	11.8	0.0	0.0	-64.2	0.0	4.8
FST DENVR MT	O-FDENS	1621	1.25	0.00	SEP	5.13	1.13	28.4	50.7	0.2	0.0	-9.6	410.4	1.8
FST PEAK MT	N-FPM	2961	7.10	0.00	JAN	0.00	2.25	16.0	-18.2	0.0	0.0	-68.3	0.0	6.7
FST WISCN MT	O-FWM	1910	5.76	0.00	DEC	0.80 ↑	2.38	90.4	58.7	3.0	0.0	-58.7	13.9	4.5
INDEPEND MTG	O-IMTGS	2500	-3.93	0.00	DEC	0.00	0.31	-18.4	-18.4	0.0	0.0	NEG.	0.0	0.8
MARYLAND RLY	O-MDRS	760	7.91	0.00	NOV	0.11 ↑	3.50	7.7	64.3	31.8	0.0	-55.8	1.4	2.7
TRI-SOUTH MT	N-TSI	2260	2.26	0.00	DEC	0.52 ↑	1.75	40.0	26.8	3.4	0.0	-22.6	23.0	4.0
WACHOVIA RLY	N-WRI	3335	10.98	0.00	FEB	0.00	4.13	3.2	0.0	0.0	0.0	-62.4	0.0	13.8
WELLS FAR MT	N-WFM	3911	17.19	0.48	DEC	1.08	10.50	-3.5	9.0	9.7	4.6	-38.9	6.3	41.1
GROUP AVERAGE		2314	3.01	0.03		0.59	2.61	6.8	7.0	4.4	1.1	-13.2	19.6	111.1

SHORT-TERM-MISC FINCL

AMER CENTURY	N-ACT	2607	6.05	0.00	DEC	0.00	2.50	11.1	11.1	0.0	0.0	-58.7	0.0	6.5
BENEF STD MT	N-BSM	1355	1.70	0.00	JAN	0.00	1.62	8.0	-23.9	0.0	0.0	-4.7	0.0	2.2
CI MTG GROUP	N-CI	4812	-0.29	0.00	JAN	0.23 ↑	0.94	6.8	-6.0	4.1	0.0	NEG.	-79.3	4.5
HANOVER SC R	A-HSQ	946	10.83	0.00	NOV	0.00	4.75	0.0	-5.0	0.0	0.0	-56.1	0.0	4.5
IDS RLTY TR	N-IDR	2409	-17.40	0.00	CCT	0.00	0.63	26.0	0.0	0.0	0.0	NEG.	0.0	1.5
LMI INVSTORS	O-LWN	2009	3.42	0.00	DEC	4.81	1.00	13.6	25.0	0.2	0.0	-70.8	140.6	2.0
MTG TRUST AM	N-MT	3860	12.49	0.00	NOV	0.00	3.75	-6.3	-19.0	0.0	0.0	-70.0	0.0	14.5
NATIONWID RF	O-NRELS	1047	24.02	0.16	DEC	0.20	6.50	4.0	6.0	32.5	2.5	-72.9	0.8	6.8
GROUP AVERAGE		2381	5.10	0.02		0.65	2.71	3.2	-3.9	4.1	0.7	-46.9	12.8	42.5

INTERMEDIATE-TERM MORTGAGES

ALISON MTG I	O-AMV	2339	0.43	0.00	JAN	14.90 ↑	1.38	84.0	38.0	0.1	0.0	220.9	3465.1	3.2
BARNET-WINST	O-BWITS	1663	0.20	0.00	DEC	0.00	0.13	-65.8	-84.3	0.0	0.0	-35.0	0.0	0.2
DIVERSIFD MT	N-DMG	7327	6.95	0.00	SEP	0.00	1.13	0.0	-24.7	0.0	0.0	-83.7	0.0	8.3
FST VIRGINIA	O-FVM	1208	2.55	0.00	DEC	0.00	0.38	0.0	-5.0	0.0	0.0	-85.1	0.0	0.5
RLTY REFUND	A-RRF	1045	18.45	2.24	JAN	2.24	20.88	8.5	6.4	9.3	10.7	13.2	12.1	21.8
SECURITY MT	A-SMO	6487	5.92	0.00	DEC	0.07	2.50	-9.1	0.0	35.7	0.0	-57.8	1.2	16.2
GROUP AVERAGE		3345	5.75	0.37		2.87	4.40	7.1	2.1	1.5	8.5	-23.5	49.9	50.2

LONG-TERM MTG & EQUITIES

ATLANTA NATL	O-ATNAS	1260	10.24	0.00	NOV	0.00	3.00	33.3	100.0	0.0	0.0	-70.7	0.0	3.8
BT MTG INVTR	N-BTM	2116	-2.30	0.00	DEC	0.00	2.25	5.6	-10.0	0.0	0.0	NEG.	0.0	4.8
CLEVELTRST RL	O-CTRS	2525	10.85	0.00	DEC	0.00	3.00	-4.2	14.1	0.0	0.0	-72.4	0.0	7.6
CON GEN M&R#	N-CGM	5715	19.23	1.60	DEC	1.60	18.13	0.0	-5.8	11.3	8.8	-5.7	8.3	103.6
COUSINS M&O	N-CUZ	3854	1.13	0.00	NOV	0.00	1.50	0.0	-25.0	0.0	0.0	32.7	0.0	5.8
EQUIT LF MTG	N-EQ	5605	23.66	2.24	JAN	2.36	23.50	-0.6	-10.9	10.0	9.5	-0.7	10.0	131.7
FIDELCO GROW	A-FGI	1580	12.11	0.00	NOV	0.00	2.75	0.0	10.0	0.0	0.0	-77.3	0.0	4.3
FST MEMPHIS	O-FMMS	1156	4.40	0.00	NOV	0.00	2.25	0.0	38.0	0.0	0.0	-48.9	0.0	2.6
GULF MTG&RLY	N-GMR	2210	5.39	0.00	NOV	0.00	3.13	46.9	39.1	0.0	0.0	-41.9	0.0	6.9
HNC MTG&RLY	O-HNCMS	2388	4.01	0.00	JAN	0.00	1.00	13.6	0.0	0.0	0.0	-75.1	0.0	2.4
HOSPITAL MTG	A-HMG	1178	22.90	0.60	NOV	0.80	8.13	1.6	22.6	10.2	7.4	-64.5	3.5	9.6
MASSMUT MTG	N-MML	4670	19.41	1.16 ↑	JAN	1.16	13.63x	0.3	-3.5	11.8	8.5	-29.8	6.0	63.7
MONY MTG INV	N-MYM	8840	9.92	0.92	FEB	0.88	10.63	0.0	-7.6	12.1	8.7	7.2	8.9	94.0
MTG GROWTH I	A-MTG	2652	10.99	0.48	FEB	0.20	5.94	5.5	8.0	29.7	8.1	-46.0	1.8	15.8
NOWSTRN FINC	O-NFINS	1510	14.64	0.00	SEP	0.00	3.63	3.7	32.0	0.0	0.0	-75.2	0.0	5.5
NOWSTRN MUTL	N-NML	4758	19.08	1.00	DEC	0.88	12.50	-2.0	-6.6	14.2	8.0	-34.5	4.6	59.5
OLD STONE #	O-OSMRS	813	9.38	0.00	DEC	0.00	7.25	-1.8	9.4	0.0	0.0	-22.7	0.0	5.9
PACIFIC STHN	O-PSMTS	814	11.86	0.60	DEC	0.68	6.50	6.0	15.5	9.6	9.2	-45.2	5.7	5.3
PNE MTG& RI #	N-PNI	2437	18.52	0.40	DEC	0.52	8.50	0.0	-8.1	16.3	4.7	-54.1	2.8	20.7
RAM PACIFIC	O-RPACS	1890	18.09	1.12	FEB	1.00	11.63	1.1	12.0	11.6	9.6	-35.7	5.5	22.0
STATE MUTUAL	N-SMU	2786	-0.63	0.00	DEC	0.00	2.00	38.9	44.9	0.0	0.0	NEG.	0.0	5.6
UNITED RLTY	A-URT	3610	17.58	0.72	FEB	0.72	8.38	0.0	-1.4	11.6	8.6	-52.3	4.1	30.3
GROUP AVERAGE		2926	11.84	0.45		0.49	7.24	1.9	1.2	14.7	6.8	-38.9	4.1	611.1

CONVERTIBLE DEBENTURES

DEBENTURE	EX MAT	INT (%)	CONV AT	RECENT PRICE	YIELD (%)	% CHG
ALISCA MTG CC '91		6.75	27.50	35.00	19.3	16.7
AMER CENTURY AS '90		7.00	21.00	60.63	11.5	8.3
AMER CENTURY NY '91		6.75	28.00	63.00	10.7	11.5
AMER REALTY CC '84		7.00	10.40	30.00	23.3	7.1
BAIRD&WARNER CC '91		6.75	21.00	67.00	10.1	0.0
BANKAMERICA CC '90		6.75	21.00	88.00	7.7	6.0
BENEF STD MI AS '91		6.50	27.75	47.50	13.7	-5.0
CAPITAL MTG CC '91		6.50	33.00	37.00	17.6	5.7
CHASE MANHAT NY '96		6.50	55.00	48.50	13.4	-10.2
COLWELL MTG CC '91		6.50	29.38	26.00	25.0	-7.1
CONN GENERAL NY '96		6.00	32.50	75.00	8.0	0.0
CONTANT MTG CC '90		6.25	19.79	4.75	VJ	-5.0
EQUITFL LF M NY '90		6.75	26.25	91.00	7.4	-2.2
FIDELITY MT CC '85		7.75	21.25	10.00	VJ	0.0
FIRST FENN M CC '91		6.75	26.00	47.00	14.4	-6.0
FIRST UNION NY '91		7.00	13.00	90.13	7.8	-3.1
FRANKLIN RLY AS '89		7.00	10.00	70.00	10.0	0.0
GRT AMER MI CC '91		7.00	35.50	5.00	140.0	-44.4
HANOVER SO R AS '92		7.25	21.00	67.00	10.8	3.1
HEITMAN MTG AS '92		7.50	14.70	60.00	12.5	-3.2
HFC MTG CC '91		6.75	21.00	45.00	15.0	0.0
HOTEL INVSTR CC '90		7.75	21.00	76.00	10.2	1.3
HOTEL INVTRS CC '91		7.50	25.25	72.00	10.4	1.4
ILINCOLN MTG CC '90		8.00	11.00	40.00	20.0	0.0
MASSMUTL MTG NY '90		6.75	21.00	82.00	8.2	-1.2
MASSMUTUAL M NY '91		6.25	33.50	74.00	8.4	-2.6
MIDLAND MTG CC '86		7.00	16.67	39.00	17.9	2.6
MONEY MTG NY '90		7.00	11.00	95.50	7.3	-1.5
MTG INV WASH CC '90		8.00	15.00	59.00	13.6	7.3
NATIONAL MTG CC '91		7.00	12.00	5.00	140.0	0.0
NOR PRIME CC '91		6.75	21.00	30.00	22.5	0.0
NOWSTEN MUTL NY '91		6.00	21.00	79.50	7.5	4.6
OLD STON MT CC '87		6.88	15.00	74.00	9.3	0.0
PACIFIC MTG CC '91		6.75	21.00	73.50	9.2	-1.3
REALTY INCOM AS '91		8.00	18.00	83.00	9.6	-1.2
REPUBLIC MI NY '90		9.00	19.00	83.13	10.8	2.6
SAUL (RF) RL CC '91		6.50	23.00	58.00	11.2	3.6
SAUL (RF) RFI CC '90		8.00	15.50	71.00	11.3	9.2
STATE MUTUAL AS '91		6.75	21.00	35.00	19.3	9.4
SUTRO MTG NY '92		6.75	20.00	81.00	8.3	1.2
SUTRO MTG AS '91		6.75	20.00	71.50	9.4	-0.7
TRI-SOUTH MI NY '92		7.00	29.50	36.25	19.3	-1.7
US BANKCORP AS '92		7.00	26.25	72.00	9.7	2.9
US REALTY IN NY '89		5.75	20.20	58.50	9.8	5.9

WARRANTS

NAME	EXCH/ SYMPL	EXP DATE	OUT (000)	EXFR PRICE	NC. SH.	WTS PRICE	STK PRICE	CONV PREM	% CHG	MKT VA (Mtl \$)
AMER CENTURY	A-ACTW	6/78	897	23.00	1.0	0.06	2.50	822.4	-53.8	0.1
ATICO MTG IN	A-ACCK	12/79	563	15.00	1.0	0.38	2.13	622.1	22.6	0.2
HARNES MTG	C-BARNW	12/82	1910	20.00	1.0	0.01	2.50	700.4	0.0	0.0
BENEF STD MT	A-BSMW	7/80	554	20.00	1.0	0.38	1.62	1158.0	-13.6	0.2
HFT RITY TR	A-BRTW	11/77	1400	10.00	1.0	0.03	0.94	967.0	0.0	0.0
CAPITAL MTG	C-CMCRW	11/79	471	20.00	1.0	0.01	1.25	1500.8	0.0	0.0
DENVER RFTA	C-DEKVS	5/77	177	11.00	1.0	0.06	7.50	47.5	0.0	0.0
FIRST UNION	C-FURFW	12/77	600	12.75	1.0	0.38	12.00	9.4	0.0	0.2
FLATLEY RITY	C-FLTW	5/77	1000	10.00	1.0	0.25	3.00	241.7	150.0	0.3
JWR REALTY	C-JWPRW	8/77	510	20.00	1.0	0.30	14.50	40.0	0.0	0.2
M&T MTG INV	C-MTNIZ	8/80	747	13.00	1.0	0.25	9.63	37.6	0.0	0.2
MISSION INV	A-MITW	12/77	604	16.50	1.0	0.01	1.63	912.9	-66.7	0.0
MTG INV WASH	C-MINW	3/80	931	15.00	1.0	0.19	2.50	507.6	0.0	0.2
NATIONWID RE	C-NRELW	1/81	652	32.00	1.0	0.10	6.50	393.8	0.0	0.1
NORTH AM MTG	A-NAMW	3/75	710	21.13	1.0	0.19	4.13	658.4	-24.0	0.1
NOWSTEN FINC	C-NFINW	11/78	1510	18.06	1.1	0.03	3.63	398.3	0.0	0.0
PMB MTG RITY	A-PNITW	12/77	1220	20.00	1.0	0.19	8.50	137.5	46.2	0.2
REPUBLIC MI	A-RMITW	6/79	1064	20.00	1.0	0.25	1.75	1057.1	92.3	0.3
RLTY REFLD	C-RREFW	6/77	1013	20.00	1.0	0.63	20.88	-1.2	103.2	0.6
SAN FRAN RFI	A-SFTW	12/80	1348	25.00	1.0	1.13	12.38	111.1	0.0	1.5
SECURITY MTG	A-SMOW	5/79	3117	16.00	1.0	0.19	2.50	547.6	-24.0	0.6
SUTRO MTG (P)	A-SUTW	6/82	700	20.00	1.0	0.56	6.75	204.6	0.0	0.4
SUTRO MTG IN	C-SUTRS	4/78	299	22.00	1.0	0.06	6.75	226.8	0.0	0.0
UNITED RITY	A-URTW	12/79	3610	20.00	1.0	0.31	8.38	142.4	0.0	1.1
WELLS FARGO	C-WELLW	7/77	3458	20.00	0.5	0.15	10.50	93.3	200.0	0.5

SUTRO "B": AFTER 6/1/77, EXERCISE PRICE \$22 TO 6/1/82 EXPIRATION.
 *DEBENTURES USABLE IN LIEU OF CASH.

HOW TO USE COMPARATIVE TRUST STATISTICS

These data are designed to facilitate comparison of relative efficiency of real estate investment trust managements with available funds. Readers should note that historical data are used and thus no earnings or dividend projections or estimates are included. Investors are advised to consider carefully the following distinctive characteristics of REITs compared with other industrial or financial securities:

Annualized Dividend and Yield: Most REITs do not pay a posted quarterly dividend rate but instead pay their approximate earnings (or net cash flow, if appropriate) for the quarter. They follow this practice because REITs are required to pay at least 90% of earnings to shareholders in order to qualify for exemption from Federal income taxes. This practice means that dividends paid by most REITs will vary much more from quarter to quarter than industrial securities. This possibility for quarterly variations gives REIT shares higher risk because earnings do not provide a safety margin of coverage for the dividend as they do for industrial stocks. The outlook and stability of dividends are thus key factors in our RELATIVE APPEAL RANKINGS. The "Annualized Dividend" column is the latest quarterly payout annualized by multiplying by four, and adjusted for any capital gains or other special dividend payments. Special dividends, marked "S", are paid to maintain tax exemption but are not expected to be continued in subsequent quarters. Because of these possible variations, annualized dividends and yield are not to be considered in any way as posted or guaranteed yields.

Annualized Earnings and Price/Earnings Ratio: For mortgage trusts, latest quarter earnings are multiplied by four. Zeroes indicate losses or no earnings for the quarter indicated. Losses per share are shown in RELATIVE APPEAL RANKINGS. For equity trusts, annualized net cash flow as calculated by Audit Investment Research, Inc. is used in place of earnings as the best single measure of results. Net cash flow is defined as net income plus depreciation minus mortgage amortization. The symbol "\$" indicates cash flow in the earnings column. For a few trusts, gross cash flow (i.e., net income plus depreciation) is used, denoted by "*". Cash flow derived from amortization of debt discount is denoted by "@". The price/earnings ratio relates current price to the most appropriate earnings result. Both earnings (EPS) and net cash flow (CFS) per share for equity trusts for current periods are shown in RELATIVE APPEAL RANKINGS.

Shares: The number of shares outstanding, in thousands, is the number issued as of the latest balance sheet and is not adjusted for any potential conversion of debentures or exercise of warrants. Book value per share is essentially net tangible worth per share. The number does not reflect any changes in asset values through appreciation or abnormal depreciation of assets, nor any potential increase from possible conversion of debentures. Realized and estimated investment losses, as determined by management's provision for possible losses, are deducted from book value under ALCPA rules. Audit also deducts intangible debt discount and expense costs from book value.

Trusts are grouped into nine categories under three major groupings to facilitate comparison. The category used for each trust is shown in RELATIVE APPEAL RANKINGS. Equity and combination groups include Equity trusts with over 80% of invested assets in direct ownership of completed income producing properties; Equity & Mortgage combination which balance investments between equity ownership and mortgages; and Subordinated Land trusts, investing primarily in ownership of land beneath income producing properties and leased to building operators.

Short-term mortgage groups invest primarily in mortgages under three years maturity, mainly construction, land development and other interim loans. They are grouped by sponsorship as follows: Mortgage banker; Independent; Commercial bank; and Miscellaneous financial institutions.

Intermediate & long-term mortgage groups are classed as intermediate-term for those whose predominant holdings mature in three to 10 years; and long-term for those with loans maturing in over 10 years, and generally with some equity investments.

CHASE MANHATTAN TRUST'S CONTROVERSIAL TENDER OFFER: TAKE THE MONEY

The Chase Manhattan Mortgage & Realty Trust is offering to buy any and all of the \$50 million of its 7-7/8% senior notes at \$800 per \$1,000 principal through March 31. The offer is not likely to be extended and payment will be made April 1. If the full \$50 million isn't tendered by public holders, then the trust will make the same offer to its lending banks, up to the full \$50 million.

That's the first phase of a proposed major debt restructuring by the deeply troubled trust. The offer marks several "firsts:"

--This is the first time holders of senior debt have been asked to take less than par for senior debt. The only other senior debt issue to mature, First Mortgage Investors' 9% senior debentures, is being paid out at par over three years following its maturity Nov. 1, 1975. Interest is current. All other cash tender offers by REITs have been for subordinated debt and the discounts have been deep, ranging from 20¢ to 33¢ on the dollar. Note however that FMI is mulling offering holders of its 8 1/4% senior debentures maturing July 1 the option of taking either 50% of par in cash or stretching payment over five years.

--This the first time senior bank creditors have been asked to take less than par openly. But this only brings practice into line with reality: Most swaps of trust assets for debt reduction by banks have worked out to an average 23% discount, or "hit," to the banks, and the hit to Chase Trust's banks has been about 19%. But if banks take discounts on their Chase loans openly, the way is open for other trusts to seek the same kind of a deal; already troubled IDS Realty Trust is talking discount with its banks. And some bankers are saying the discounted present value of REIT loans may be less than 80% of par now if one assumes it will take five or more years to repay them in full.

--This is the first time a trust has offered a price below the market in any tender. REIT bondholders had come to expect trusts to offer a premium over market to induce them to turn in debt at a discount. Chase Trust officials say they felt the notes were worth only 80% of par and offered that, even though the notes were trading at 87 immediately before the offer. And they haven't fallen below 80 1/2 in trading since, giving some holders a chance to get out above the tender price. Actually, market prices for bonds on the NYSE reflect small transactions; bond market operators say large blocks almost always are traded at discounts from the NYSE market, so the offer of 80 may actually represent the market for large blocks.

Beyond nuances of the offer however, there's the vital question of whether noteholders who don't tender, as well as shareholders, will be left holding investment in a viable trust. Chase Trust's offering circular is explicit on this point: the offering plus a companion swap of an expected \$275 million assets to the banks are expected to strip all but from \$3 to \$15 million of earning loans from the Chase Trust portfolio. If both the tender and the swap go as expected, the trust would be left with about \$338 million invested assets, of which only 5% would be earning income. This is in line with management's announced strategy of using the best assets to raise cash and pay down bank debt while pinning recovery hopes on the very worst properties. At that stage the trust would also have \$108 million loss reserve, debt of \$263 million to both banks and public bondholders, and shareholders' equity of \$4.7 million, or slightly less than \$1 per share.

"Successful implementation of the business plan may not resolve the trust's financial difficulties or otherwise assure the viability of the trust," Chase says in the offering circular. Indeed, it is hard to visualize a trust with almost no earning assets and \$263 million debt surviving at all. But other trusts such as

First Wisconsin Mortgage Trust are already surviving, using cash flow to make modest debt reductions and encouraging banks to carry them with low-interest loans. Since Chase Trust's banks have agreed as part of the package to open talks on a new five-year credit agreement, it's assumed they are willing to carry the trust and have already mentally decided they can do so with the lighter debt load.

The final stage of the Chase Trust's restructuring involves a planned offer to exchange a new issue of convertible debentures for \$84.7 million of three issues of outstanding subordinated debentures: the 7½% subordinated debentures due 1983, the 6-¾% subordinated convertibles of 1990, and the 6½% subordinated convertibles of 1996. That offer won't be made unless all other parts fall into place beforehand, likely by the end of April. Final terms of this exchange haven't been set but the trust says it expects to convert existing market price into principal amount of the new debenture, raise interest to about equal current yield, and give holders a play on CMR common. For instance, the 7½s now trade at about 58½. We'd expect the trust to offer to exchange this for about \$585 principal of the new debenture, which might have a coupon in the 11%-12% range, and perhaps be convertible at 4½-5. If half the holders of the present three issues accepted such an offer, the trust would gain another \$20 million on debt restructuring and book value would move upward to about \$5/share, so the \$5 hypothetical conversion price is not out of line.

Even if this exchange offer succeeds, the trust would still be left with a hard core of problem properties, including the famed Palmas del Mar resort of 2,700 acres about 40 miles southeast of San Juan, Puerto Rico. Chase Trust has sunk about \$80 million, net of about \$10 million condo sales last year, into this luxury resort and while condos are expected to be sold relatively soon, the inventory of high-priced land likely won't move for many years. Other problem projects may move more swiftly: recently the trust sold a problem Detroit office building and reports realistic offers on other properties. So the prospect of a recovery of sorts in three-five years may not be far-fetched, although any portfolio with 20% to 30% of assets in such a difficult project as Palmas del Mar obviously will be a long time recovering.

Our view: Most noteholders should either sell in the market at about 80½ or tender at 80; recovery chances by May 1, 1978, when the notes mature, are just too chancy for most bond investors. And we're aware the senior notes would stand in very strong position in a bankruptcy. The reverse is true for shareholders: they benefit by every repayment of debt at a discount and so have some hope of recovery back to the \$5 range, should everything click. Realistically though CMR never will see the \$60-\$70 prices of its heyday. Thus the shares should be held at this juncture to see how the situation develops.

NONEARNING INVESTMENT PERCENTAGE STEADY AS ASSETS SHRINK

Nonearning investments and total assets both continued to shrink last month. As a result, the nonearning portion remained unchanged at 57%, the same level for the past five months. Swaps, consisting of both earning and nonearning assets, account for most of the reduction. Some of the big shifts reported in the last month were the \$102 million drop, including \$80 million swapped, by Citizens & Southern Realty and smaller reductions in the \$10 million range by Builders Investment Group, Chase Manhattan Mortgage and BT Mortgage. The most significant progress was by Maryland Realty which halved its nonearning category to \$7.8 million getting operations back to breakeven. Our monthly tally:

Group	Number	---Invested assets---		%	Month %
		Non-earning	Total		
Short-term mortgage..59		\$6,887M	\$9,249M	74%	-1.9%
Inter. & long-term mt.28		1,663	3,920	42	+0.8
Equity & combination.45		896	3,451	26	+1.5
TOTALS/AVERAGES..132		\$9,446M	\$16,620M	57%	-1.1%